

AD-A194 825

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

**STUDY  
PROJECT****THE PROGRAM EXECUTIVE OFFICER MANAGEMENT SYSTEM:  
IS IT A STEP FORWARD?**

BY

MR. KEITH R. CARSON

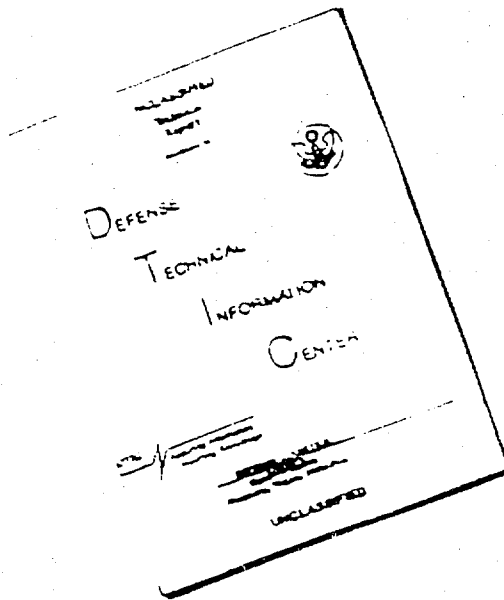
**DISTRIBUTION STATEMENT A: Approved for public  
release; distribution is unlimited.**

**DTIC  
ELECTE  
S JUN 07 1988 D**

23 MARCH 1988

**U.S. ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013-5050**

# DISCLAIMER NOTICE



THIS DOCUMENT IS BEST QUALITY AVAILABLE. THE COPY FURNISHED TO DTIC CONTAINED A SIGNIFICANT NUMBER OF PAGES WHICH DO NOT REPRODUCE LEGIBLY.

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM	
1. REPORT NUMBER	2. GOVT ACCESSION NO. 1174225	3. RECIPIENT'S CATALOG NUMBER	
4. TITLE (and Subtitle) "THE PROGRAM EXECUTIVE OFFICER MANAGEMENT SYSTEM: IS IT A STEP FORWARD?"		5. TYPE OF REPORT & PERIOD COVERED Study Project	
		6. PERFORMING ORG. REPORT NUMBER	
7. AUTHOR(s) Mr. Keith R. Carson		8. CONTRACT OR GRANT NUMBER(s)	
9. PERFORMING ORGANIZATION NAME AND ADDRESS U.S. Army War College Carlisle Barracks, PA 17013-5050		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS	
11. CONTROLLING OFFICE NAME AND ADDRESS SAME		12. REPORT DATE 23 March 1988	
		13. NUMBER OF PAGES 39	
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) UNCLASSIFIED	
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE	
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution is unlimited.			
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)			
18. SUPPLEMENTARY NOTES			
19. KEY WORDS (Continue on reverse side if necessary and identify by block number)			
20. ABSTRACT (Continue on reverse side if necessary and identify by block number)  In 1987 the U.S. Army established an Army Acquisition Executive and a Program Executive Officer Management System to manage Army material acquisition in response to legislative action and an executive directive to the Department of Defense. The Army Reorganization was the most sweeping and far reaching of the three services and was potentially so complicated as to obviate the intended streamlining of the acquisition process. This paper examines whether the new			

#20. cont.

management system in fact improves upon the old system. It concludes that the conceptual framework for the new system appears workable but that definite changes will be required for success. Less than one year of experience with the new system precludes a final concrete assessment.

USAWC MILITARY STUDIES PROGRAM PAPER

Accession For	
NTIS	CRA&I <input checked="" type="checkbox"/>
DTIC	TAB <input type="checkbox"/>
Unannounced <input type="checkbox"/>	
Justification	
By	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	

THE PROGRAM EXECUTIVE OFFICER MANAGEMENT SYSTEM:  
IS IT A STEP FORWARD?

An Individual Study Project

by

Mr Keith R. Carson

Colonel Charles S. Palmer, FA  
Project Adviser



**DISTRIBUTION STATEMENT A: Approved for public release; distribution is unlimited**

U.S. Army War College  
Carlisle Barracks, Pennsylvania 17013  
23 March 1988

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

## ABSTRACT

AUTHOR: Keith R. Carson, GM-15, DAC

TITLE: The U.S. Army Program Executive Officer Management System:  
Is It A Step Forward?

FORMAT: Individual Study Project

DATE: 23 March 1988 PAGES: 35 CLASSIFICATION: Unclassified

In 1987 the U.S. Army established an Army Acquisition Executive and a Program Executive Officer Management System to manage Army materiel acquisition in response to legislative action and an executive directive to the Department of Defense. The Army reorganization was the most sweeping and far reaching of the three services and was potentially so complicated as to obviate the intended streamlining of the acquisition process. This paper examines whether the new management system in fact improves upon the old system. It concludes that the conceptual framework for the new system appears workable but that definite changes will be required for success. Less than one year of experience with the new system precludes a final concrete assessment.

## TABLE OF CONTENTS

	Page
ABSTRACT. . . . .	. 11
LIST OF ILLUSTRATIONS . . . . .	iv
CHAPTER I. INTRODUCTION. . . . .	1
Background. . . . .	1
NSDD and Public Law . . . . .	2
Study Limitations . . . . .	4
II. REORGANIZATION IMPLEMENTATION OVERVIEW. . . . .	5
III. THE ARMY REORGANIZATION AND THE PEO SYSTEM. . . . .	8
Introduction. . . . .	8
The Secretariat and the Army Staff. . . . .	9
The PEOs and AMC. . . . .	12
Issues. . . . .	16
IV. ASSESSMENT. . . . .	21
Introduction. . . . .	21
Theoretical Assessment. . . . .	22
Pragmatic Assessment. . . . .	26
Were There Viable Alternatives? . . . . .	28
V. CONCLUSIONS . . . . .	30
VI. RECOMMENDATIONS . . . . .	32
BIBLIOGRAPHY. . . . .	34
DISTRIBUTION. . . . .	35

## LIST OF ILLUSTRATIONS

	Page
Figure 1 PROGRAM REPORTING CHAIN FOR EXECUTIVE PROGRAMS. . . .	10
Figure 2 OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY(RDA). . .	11
Figure 3 COMPARISON OF PEO SYSTEM WITH FORMER MANAGEMENT SYSTEM.	14



THE ARMY PROGRAM EXECUTIVE OFFICER MANAGEMENT SYSTEM:  
IS IT A STEP FORWARD?

CHAPTER I

INTRODUCTION

It is better to be the reorganizer than the  
reorganizee. (1)

from Augustine's Laws  
LAW NUMBER XXI

Every man's life, liberty and property are in  
danger when the Legislature is in session.  
Daniel Webster (2)

In 1987 the U.S. Army undertook the formidable task of reorganizing its Materiel Acquisition System. This is perhaps the world's largest "business" management system. The Army Materiel Command alone has some 120 thousand employees, 65 installations and with an annual budget of \$25-30 billion ranks in size with the largest corporations. The Army's system is also one of the world's largest bureaucracies, a problem inherent in a government run "business." Reorganization implies progress but when a large bureaucracy undertakes a top-down driven drastic reorganization with a view to adopting sound, efficiency inducing business practices and is helped along by legislation of the U.S. Congress, one must take a hard look at the results before concluding that progress has been made.

BACKGROUND

If a sufficient number of management layers are  
superimposed on top of each other, it can be  
assured that disaster is not left to chance. (3)

from Augustine's Laws  
LAW NUMBER XIV

In June 1986 the President's Blue Ribbon Commission on Defense

Management, chaired by David Packard, prescribed a variety of actions to overhaul a moribund defense management system. The commission responded to a multi-decade debacle of billion dollar program cost overruns, program stretch-outs, abrupt program cancellations and procurement scandals involving payment for hundred dollar hammers, five hundred dollar toilet seats, and thousand dollar coffee makers. The Packard Commission prescription was to incorporate business management methods into the Department of Defense's "materiel acquisition management business." The Executive Branch delivered the 'Packard Prescription' in the form of National Security Decision Directive (NSDD) 219 to the Department of Defense and provided a major thrust for reorganization. The Goldwater-Nichols Department of Defense Reorganization Act of 1986 with 1987 improvements provided the force of law behind the force majeure.

#### NSDD 219 AND PUBLIC LAW

NSDD 219 and congressional legislation covered a multitude of subjects and while some complemented the issue at hand many were either peripheral or irrelevant. These side topics, though important, will not be addressed in any depth in order to maintain focus on the Program Executive Officer (PEO) Management System. The Packard Commission final report summarized recommendations for streamlining acquisition organization and procedures as follows.

... we strongly recommend creation by statute of the new position of Under Secretary of Defense (Acquisition) and authorization of an additional Level II appointment in the Office of the Secretary of Defense. This Under Secretary, who should have a solid industrial background, would be a full-time Defense Acquisition Executive. He would set overall policy for procurement, and research and development (R&D),

supervise the performance of the entire acquisition system, and establish policy for administrative oversight and auditing of defense contractors.

The Army, Navy, and Air Force should each establish a comparable senior position filled by a top-level civilian Presidential appointee. The role of the Services' Acquisition Executives would mirror that of the Defense Acquisition Executive. They would appoint Program Executive Officers (PEOs), each of whom would be responsible for a reasonable and defined number of acquisition programs. Program Managers for these programs would be responsible directly to their respective PEO and report 'only' to him on program matters. Each Service should retain flexibility to shorten this reporting chain even further, as it sees fit.

Establishing short, unambiguous lines of authority would streamline the acquisition process and cut through bureaucratic red tape. By this means, DoD should substantially reduce the number of acquisition personnel. (4)

The NSDD 219 promulgated the Packard Commission recommendations and established requirements for the Defense Acquisition Executive (DAE), Service Acquisition Executives (SABs), and their Program Executive Offices. The central key provisions were that 1) Program Managers (PMs) are responsible directly to their respective PEO and on program matters report only to him, 11) no more than one level of supervision between the PM and the SAB and 111) no more than two levels of supervision between the PM and the DAE. Congress moved quickly in 1986 to make this a matter of law and later followed with more specifics. The NSDD 219 provided strict milestones for the Department of Defense (DOD) to implement the new management system. Congress similarly provided milestones and identified reporting requirements. Within relatively broad guidelines, the Services were

left to their own devices on how to specifically reorganize to accommodate the law.

#### STUDY LIMITATIONS

The Army PEO Management System is continuing to evolve even as this study report is being written. The author has therefore selected 28 February 1988 as an arbitrary cutoff date for incorporation of latest developments into the discussion and analysis that follows. Because the reorganization is so new the author did not encounter any Army programs that can be heralded as splendid successes nor abysmal failures as a result of the new management system. So in the absence of concrete examples this remains largely a theoretical work. Finally, it should be noted that with Army policy still evolving and regulations still in preparation it is all too likely that at least some "facts" presented herein will ultimately be contradicted by events.

#### ENDNOTES

1. Norman R. Augustine, Augustine's Laws, American Institute of Aeronautics and Astronautics, New York, 1983, p. 121.
2. With thanks to the book Augustine's Laws for this idea.
3. Augustine's Laws, p. 86.
4. President's Blue Ribbon Commission on Defense Management, A Quest for Excellence, June 1986, p. 13.

## CHAPTER II

### REORGANIZATION IMPLEMENTATION OVERVIEW

The duties and powers of the Defense Acquisition Executive were formally set by DOD Directive 5134.1 on 10 February 1987. It established that the DAE policy, procedure and execution decisions in the acquisition area would take precedence over those of the individual service Secretaries and their SAEs. (1) In view of potential legal complications as well as practical considerations, the SAEs were not placed administratively under the DAE but rather directed to report to the DAE on acquisition matters. Provision was made for the circumstance where the DAE and the Secretary of a service could not agree on acquisition matters. In such a case the dispute would be referred to the Secretary/Deputy Secretary of Defense level for resolution. (2)

Numerous initiatives to streamline acquisition were implemented such as consolidating DOD agencies involved in acquisition under the DAE. The magnitude of the original problem observed by the Packard Commission and Congress is exemplified by the fact that some 126 committees, councils and panels serving the acquisition system were disestablished and their functions consolidated into 10 committees serving the DAE and Defense Acquisition Board (DAB). (3) Aside from such reorganizations there were equally important attempts to streamline the system. For example, a major initiative was to encourage managers for the first time to tailor acquisition strategy and streamline contracts so as to minimize paperwork and emphasize concrete results.

DOD streamlining provisions of Title V, complemented by manpower

reduction provisions of Title VI, of the Goldwater-Nichols DOD Reorganization Act of 1986 directed a number reorganizations of the individual services. The number of personnel serving in each services' Secretariat and military headquarters was reduced and capped with a mandatory implementation date of 30 September 1988. To preclude duplication of effort and strengthen civilian control Congress directed that the functions of acquisition, auditing, comptroller activities, information management, inspector general activities, legislative affairs, and public affairs be placed under the Secretariat for each service. Moreover, research and development were also placed under each service Secretariat but allowed the Secretariat to leave under military control the establishment of military requirements and test and evaluation.(4) The net effect of the foregoing congressional guidance with regard to acquisition was to centralize functions, shorten decision chains and through manpower reductions, attempt to promote efficiency.

Each service conducted its own study of how best to comply with the law and NSDD 219. As will be seen, the requirement to have a program manager no more than two levels removed from the Service Acquisition Executive(SAB) played a key role in the reorganization. The Air Force designated the UnderSecretary of the Air Force as the Air Force Acquisition Executive(AFAE). Commanders of the Product Divisions in the Air Force Communications Command, Air Force Systems Command, and Air Force Logistics Command were designated initially as Program Executive Officers with a total of 15 "Executive Programs" in January 1987. In August 1986 the Secretary of the Navy established himself as the Navy Acquisition Executive to be assisted by the Assistant Secretary of the Navy for Research, Engineering and Systems

and the Assistant Secretary of the Navy for Shipbuilding and Logistics. The commanders of nine major commands performing some type of acquisition function were designated as PEOs with a total of 24 PEO managed programs. Thus both the Navy and Air Force responded to the law and NSDD 219 for establishment of SAEs and PEOs without resorting to a major reorganization. (5) Potential confusion over chain of command was addressed by directives stating who the PEOs reported to on acquisition matters regardless of intervening structure (e.g. Air Force PEOs fall under one of three major commanders but report to the AFAB on acquisition matters).

The Army, like the Air Force, established its UnderSecretary as the Service Acquisition Executive on 27 March 1987. However, in distinct contrast to both the Navy and the Air Force, the Army established 22 new offices to serve as PEOs managing some 128 odd systems, most of which were not major systems. Moreover, the Assistant Secretary of the Army for Research, Development and Acquisition((ASA(RDA)) was placed in a support role to the Army Acquisition Executive(AAE) to provide centralized execution of management functions.

#### END NOTES

1. Department of Defense Directive Number 5134.1, February 1987, p. 4.
2. Ibid.
3. Richard P. Godwin, "Progress on Streamlining the Acquisition System," DEFENSE ISSUES, Vol. 2, No. 15, p. 1.
4. Martin Blumenson, "Packard Commission Makes Key Contributions REORGANIZATION:," ARMY Magazine, May 1987, p. 48.
5. HQ AMC, Briefing Booklet: THE ARMY ACQUISITION SYSTEM, August 1987, p. 5.

## CHAPTER III

### THE ARMY REORGANIZATION AND THE PEO SYSTEM

#### INTRODUCTION

The Army's Reorganization Commission, co-chaired by the Honorable Michael P. W. Stone and LTC Max W. Noah, developed a set of recommendations for realigning the Army Staff and the Army Secretariat along with a concept for implementing PEOs which in large measure were accepted by Secretary Marsh. A conceptual implementation plan was developed and a Secretary of the Army directive was issued 30 January 1987 making the reorganization effective on 30 March 1987. This directive recognized that the actual physical implementation to specifically include establishment of full staffs would take longer. In the actual event there were a number of significant departures from the conceptual plan.

The conceptual plan stated that the AAE would be established as an Assistant Secretary, implying that this would be the Assistant Secretary of the Army for Research, Development and Acquisition. But in March the UnderSecretary of the Army was formally identified as the AAE with the ASA(RDA) and his staff serving to support execution of the AAE functions. There is obvious rationale to support this. The FY 87 DOD Authorization Act created an UnderSecretary of Defense for Acquisition(USD(A)) and the initial Army appointment parallels the DOD reorganization. Moreover, the existing UnderSecretary of the Army had demonstrated a strong interest in acquisition activities and was already the recognized Army public spokesman. His appointment as the AAE precluded potential confusion on lines of authority. In any case, the actual appointment heralded further changes to the conceptual



plan.

## THE SECRETARIAT AND THE ARMY STAFF

Under the reorganization the Secretary of the Army delegated total responsibilities on acquisition matters to the AAE. (1) Taken together with Congressional guidance the organization depicted in Figure 1 resulted. (2)

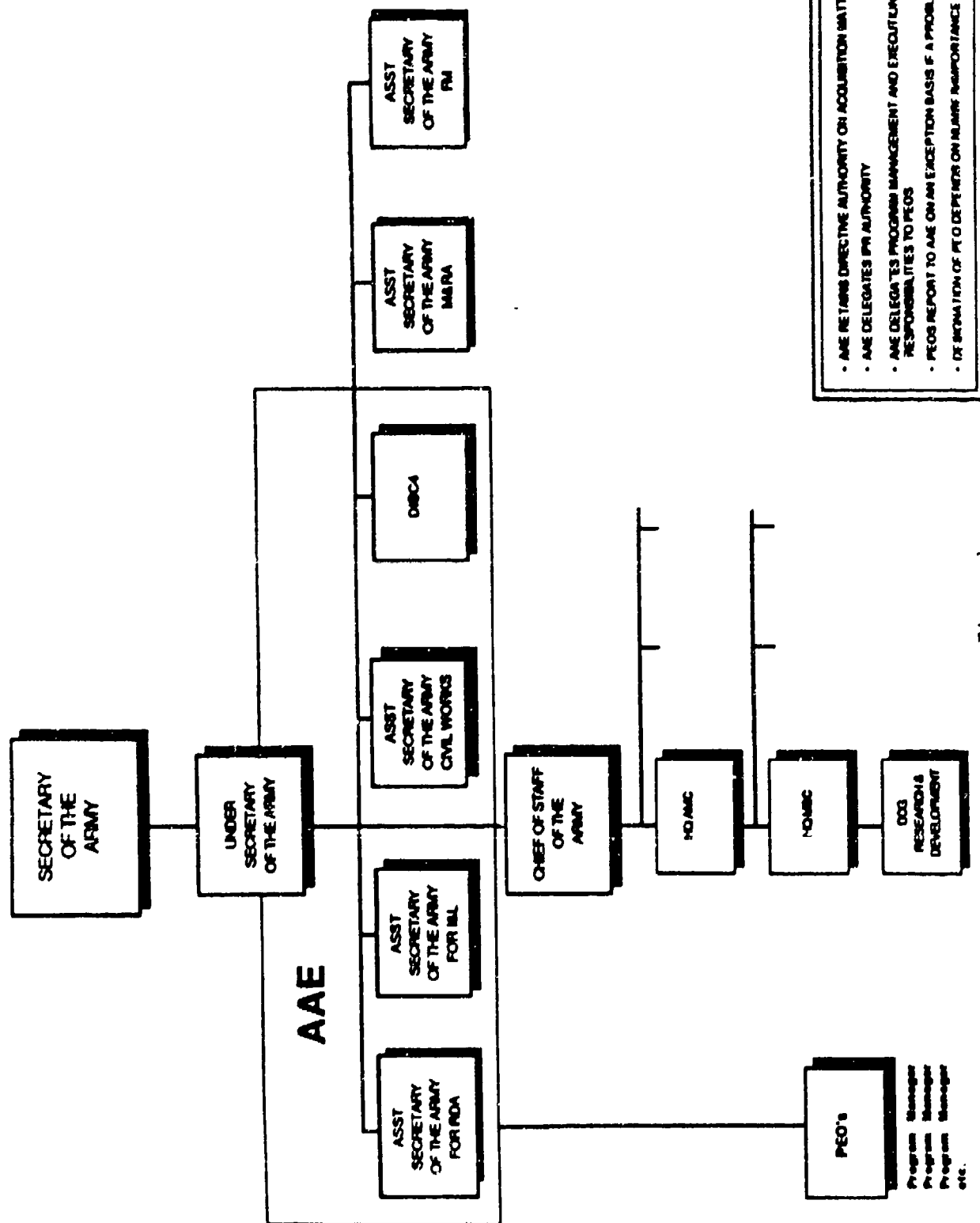
### ORGANIZATIONAL STRUCTURE

In addition to the ASA(RDA), two additional Assistant Secretaries would provide support for acquisition matters under the reorganization. These are the Assistant Secretary of the Army for Installations and Logistics(ASA(I&L)) and the Assistant Secretary for Civil Works(ASA(CW)). Also, because information management initiatives and acquisitions fell under the AAE umbrella, a Lieutenant General, Director of Information Systems Command, Control, Communications and Computers(DISC4) also would provide support with a new organization created from the previous Office of the Assistant Chief of Staff for Information Management(OACSIM) and elements previously located in the Office of the Assistant Secretary for Financial Management(ASA(FM)).

The Office of the ASA(RDA) (OASA(RDA)) became the central focus for RDA matters under the reorganization. The Competition Advocate General(CAG) was moved from the Deputy Chief of Staff for Logistics(DCSLOG) to the ASA(RDA). The Deputy Chief of Staff for Research, Development and Acquisition(DCSRDA) was eliminated and that office merged with the Secretariat thus providing the ASA(RDA) with a three star Military Deputy running day to day operations analogous to

# PROGRAM REPORTING CHAIN FOR EXECUTIVE PROGRAMS

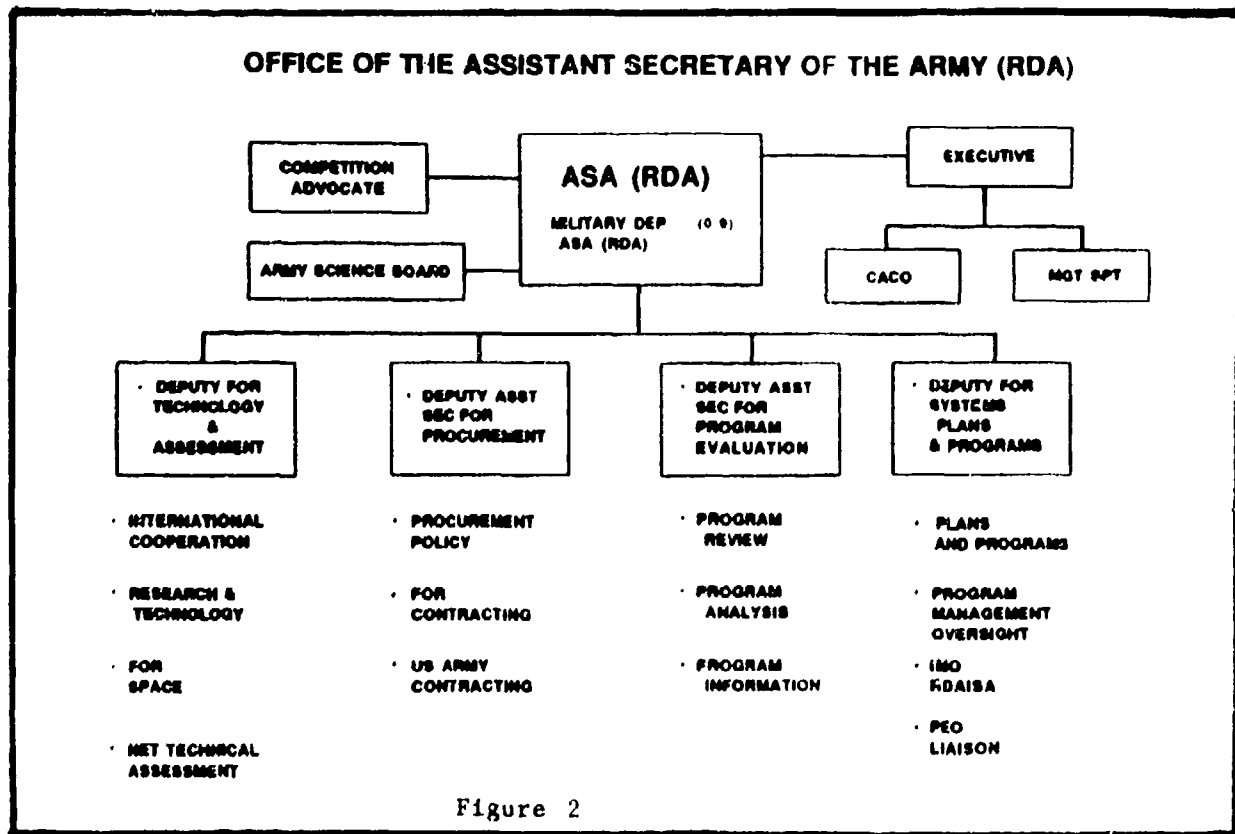
The ASA(RDA), ASA(I&L), ASA(CW) and DISC4 Assist the AAE in Executing His Acquisition Responsibilities



- AAE RETAINS DIRECTIVE AUTHORITY ON ACQUISITION MATTERS
- AAE DELEGATES PM AUTHORITY
- AAE DELEGATES PROGRAM MANAGEMENT AND EXECUTION RESPONSIBILITIES TO PEOs
- PEOs REPORT TO AAE ON AN EXCEPTION BASIS IF A PROBLEM EXISTS
- DE SIGNATION OF PEO DEPENDS ON IMPORTANCE OF PROGRAMS

Figure 1

the deleted DCSRDA. The initial ASA(RDA) reorganization depicted in Figure 2 to a certain extent reflects functions of the old DCSRDA office that were absorbed with a net loss of 180 spaces. (3)



## FUNCTIONS

### The AAE

- ensures establishment and implementation of Army policy for acquisition
- manages the Army's Production Base Support and Industrial Mobilization Programs
- designates PEOs and which programs fall under each PEO's oversight
- co-chairs the Army Systems Acquisition Review Council(ASARC) with the Vice Chief of Staff
- represents the Army on the Defense Acquisition Board
- serves as the senior performance rater of the PEOs. (4)

The AAE designated the ASA(RDA) as his principal agent with the following roles. The Office of the ASA(RDA) provides staff support for AAE, establishes and approves Research, Development and Acquisition policy, reviews baseline evaluations and program performance, and provides program management oversight. (5) The office of the Deputy for Systems, Plans and Programs provides the central focus for oversight and management of all PEO related activities. In accordance with this guidance the OASA(RDA) is currently revising Army regulations to reflect the operational reality of the reorganization.

The OASA(RDA) now plays a much larger role in the programming and budget process in consonance with acquiring most of the ODCSRDA functions. The new way of doing business is in the context of the Army reorganization of all budget matters in which the old Controller of the Army function was placed under the ASA(FM). The OASA(RDA) now reviews and validates budget submissions while the ASA(FM) establishes the framework for the entire budget. The OASA(RDA) defends the RDA budget while the ASA(FM) presents the entire budget. Finally, during budget execution, the ASA(FM) controls distribution of funds while the OASA(RDA) monitors RDA changes and identifies necessary funding adjustments. (6)

### THE PEOS AND AMC

#### INTRODUCTION

The AAE formally implemented the PEO system on 1 May 1987 with PEOs typically being collocated with the organizations previously having responsibility for assigned PEO programs. (7) The majority of the PEOs were collocated with AMC major subordinate commands but were strictly disassociated from the AMC chain of command. The Health

Systems PEO, Engineer Programs PEO and Strategic Defense Systems PEO were treated differently with The Surgeon General, Chief of Engineers, and Strategic Defense Command being dual-hatted as PEOs. These latter three commanders report to the AAE on Acquisition matters under their PEO hat. (8) Since these agencies experienced minimal perturbation under the reorganization, the balance of the paper will be confined largely to the AMC derived PEO/PM organizations.

In consonance with the Packard Commission's concern over layered decision processes and lack of accountable public officials, the Army's reorganization removed programmatic decision authority from its largest acquisition "bureaucracy" - AMC. This was consistent with directives and legislation removing such authority from the Army Staff, a substantial bureaucracy in its own right. These changes under the reorganization trade the kind of layered decision processes illustrated on the left side of Figure 3 for the interactive complexity on the right side of Figure 3. (9)

#### PEO FUNCTIONS

Under this concept PEOs make programmatic decisions (cost, schedule, performance) and seek guidance from the AAE by exception. The PEOs supervise the PMs in terms of rating authority, establishing a charter, and providing managerial oversight. PEOs are also responsible for maintaining a mission area interface with the Combat Developer and providing resourcing data to the Long Range Research and Development Plan (LRRDAP). Most importantly, the PEO tracks and enforces program baselines for cost, schedule and performance and ensures responsive support for assigned PMs. The PEO also defends

## COMPARISON OF PEO SYSTEM WITH FORMER MANAGEMENT SYSTEM

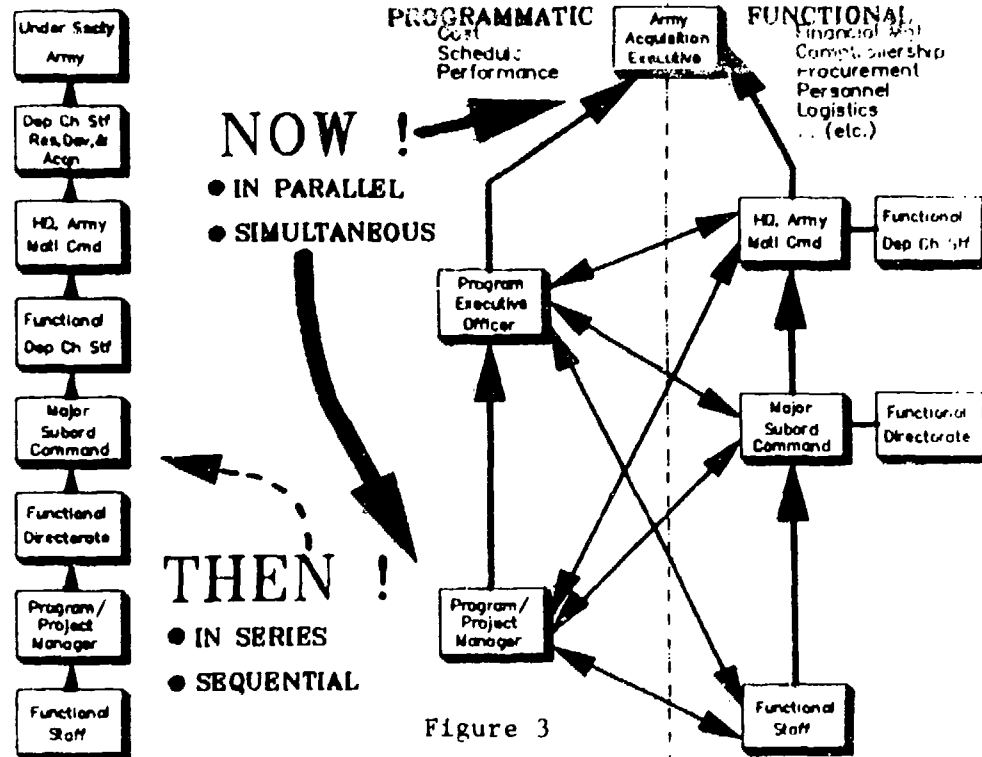


Figure 3

assigned programs and coordinates with the Secretariat and ARSTAFF. (10) PMs in large part continue with their traditional role but now have a new relationship with MSCs and report to the PEOs. (11)

### PM FUNCTIONS

Under the new system Program Managers develop their program acquisition strategy and program baseline for PEO and AAE approval and then execute the program to that baseline under PEO and AAE guidelines. PMs follow current acquisition policy on a day to day basis and receive day to day support from an associated MSC. PMs also maintain direct lines of communication with the combat developer - usually the Training and Doctrine (TRADOC) System Manager for the PM's

system. All of this is much the same as for the prior management system but with an important difference in terms of autonomy. Under the theory of the reorganization, the PM is now truly the programmatic decisionmaker who cannot be overruled by a functional director at the associated MSC or anyone within AMC. Of course, the PM accrues a concomitant higher level of accountability for program success or failure!

#### AMC FUNCTIONS

Staff organizational elements at HQ AMC and the MSC now provide functional support to the PM and PEO in such functions as product quality assurance, logistics, engineering and so on. AMC is also charged with providing personnel resources in functional disciplines where the PM or PEO lack adequate staff or in areas such as payroll processing or security where the PM or PEO may have no staff at all. The PEO is charged with negotiating the appropriate support arrangements with the associated MSC for his office and his PMs.

HQ AMC and the MSC continue to exercise oversight for program compliance with functional standards established by law, regulation or SA/AAB directive. In this sense the HQ AMC and MSC can certify the program as meeting or failing to meet standards but cannot, at least in theory, halt or delay a programmatic decision except by escalating the particular issue to a higher level in the PM chain of command. The Commander of AMC has specified an issue resolution procedure as essentially one of attempting to resolve an issue at the lowest level before escalating it to the next highest appropriate level. The final level of adjudication would of course be between the Commander of AMC and the AAB.

The Commander AMC has emphasized in guidance to his staff that AMC continues to execute most of its traditional functions but will operate cooperatively with the PEO/PM to directly impact programmatic decisions through assistance or advice as opposed to making those decisions. Clearly this means a thorough exercise of the various avenues of interface illustrated in Figure 3. (12)

## ISSUES

### INFORMATION MANAGEMENT AND PEO REPRESENTATIVES

Given the loss of ODCSRDA manpower in the reorganization, it was clear to the designers of the Army PEO Management System that certain functions would either be lost or modified. In particular the ODCSRDA staff functions of tracking PM business on a day to day basis while servicing the information requests of the Army staff, OSD and Congress would have to change. Provision was therefore made for each PEO office to provide 2-3 professionals as PEO representatives to be collocated with the OASD(RDA) staff. These individuals would provide PEO representation in Washington to defend the PEO's programs, coordinate with the Secretariat and Army staffs, and provide essential information in response to inquiries.

Because ODCSRDA averaged at least one dedicated staff officer for each major or DAP program it is clear that the PEO representatives are not a one for one replacement but more like one for three or four. A senior Pentagon official was recently heard to say, "When I want information nowadays, I have to call the PEO." This reflects the reality that instant requests for information are no longer realistic.

When connected with the fact that HQ AMC Weapon System Staff Manager positions were deleted in the reorganization, it is obvious that



information flow from PMs to the rest of the world has been severely curtailed. Lack of up to date information can hurt defense of a program in response to an OSD or Congressional inquiry. It can also hamper day to day management decisions at the OASA(RDA).

Since the problem is again to do more with less, the OASA(RDA) and HQ AMC have envisioned solving the problem with an Acquisition Information Management(AIM) system wherein virtually all offices with a role to play, whether at Department of the Army, AMC, MSC, PEO or PM level, would be linked by computer to a common database. This system is, however, 2-3 years away from activation and in the meantime we can gain a feel for the complexity of the new management system and the vital need for a solution by once again examining the interactions of Figure 3. Similar interactions, of course, exist with external agencies to that chart such as the Army Staff, TRADOC System Managers, and so on. The problem is significant and may present unforeseen and undesirable consequences over time.

#### PERSONNEL SHORTFALLS

The conceptual reorganization plan of 30 January 1987 envisioned that the reorganization to include establishment of PEOs and their staff could be accomplished on a zero sum basis. In particular since the bulk of the PEO System would parallel AMC, positions deleted from HQ AMC in the reorganization could be reallocated to PEOs. Similarly, elements of the disestablished DCSRDA staff could provide a source of spaces.

However, this early plan envisioned only 10-12 PEOs, specifically for existing major and Designated Army Programs(DAPs), being established totally separate from AMC as Defense Enterprise Programs.

Another dozen or so PEOs would be established by dual-hatting General Officers in the AMC major subordinate command structure (or Chief of Engineers, etc). Under this concept the dual-hatted PEOs would report by exception to the AAE on programmatic matters. The DCSRDA submitted a revision to the conceptual plan in early March that proposed to implement major and DAP program PEOs as Phase I prior to 30 September 1987 and dual-hatted PEOs in a subsequent Phase II. (13)

All versions of this plan were disapproved by the AAE and the actual plan announced at the 26-28 March 1987 PEO Conference held in St Louis. (14) The net result was an unanticipated resource shortfall of 73 military including about half a dozen General Officers and 203 civilians in order to appropriately staff the PEOs separately from AMC. (15) This issue was briefed as resolved at the OASA(RDA) PEO Seminar of 18-19 November 1987 in the sense that AAE guidance was to solve the problem from existing Army spaces (e.g. AMC spaces) on a zero-sum basis.

#### CONTROL OF FUNDS

Several other issues were raised at the PEO Seminar relating to the fact that AMC continues to administratively control the flow of funds to and from PEOs simply because no other mechanism exists.

Reprogramming of funds and utilization of "program savings" were acknowledged issues. Reprogramming guidance from OSD can take the form of decrementing a particular budget line involving accounts shared among several PEOs or PEOs and AMC. Moreover, the decrement can originate at Congress or OSD. The AAE has the authority to rule on "fair shares" or "unfair shares", as the case may be, but the procedures for accomplishing this in a timely and rational fashion are

still being developed. Disposition of "program savings" revolves around whether a PEO can move the "savings" to another program and that apparently again becomes an AAE decision.

Another issue surfaced and declared 'resolved' involves obligation of funds wherein AMC acts as the banker for a PEO/PM. AAE guidance has resolved this issue by simply directing that if the money is budgeted for PEO/PM use, then AMC is not to make judgments, etc, but provide the funds. However, in any such obligation of funds someone must certify that the funds are being properly used and resource managers/controllers, procurement officials and even safety engineers can all get into the act. The author can cite from personal experience that responsible and appropriate use of funds is far from a simple question. Even if the PEO/PM is staffed with resource management personnel qualified to make the judgment, an AMC controller, for example, at some level must "sign off" on the transfer or obligation of funds as appropriate. A controller cannot shut his eyes while doing so, particularly if an issue has surfaced, but must make a judgment and that may not necessarily be in agreement with the PEO/PM.

These latter two problems can and of course are being solved at some level in the interactive hierarchy of issue resolution of Figure 3. The problem from the "streamlining of acquisition" point of view is that it does cost time and this is an example where "law and regulation" bumps up against programmatic decision authority.

#### END NOTES

1. Office of the UnderSecretary of the Army (OUSA) MEMORANDUM, Subject: Implementation of the Program Executive Officer (PEO) Concept, 29 April 1987.

2. Chart used in Figure 1 originated in the OASA(RDA).
3. Chart used in Figure 2 was obtained from an Office of the Adjutant General letter of 22 April 87 announcing specifics of the Army reorganization.
4. OASA(RDA) Briefing Booklet: LCSMM for Army Systems, August 87.
5. OUSA MEMORANDUM, 29 April 1987.
6. OASA(RDA) Briefing Booklet: PEO SEMINAR, 18-19 November 1987.
7. OUSA MEMORANDUM, Subject: Implementation of Program Executive Officer(PEO) Concept, 27 May 1987.
8. OUSA MEMORANDUM, Subject: Implementation of the Program Executive Officer(PEO) Rating Scheme, 13 July 1987.
9. Chart used for Figure 3 originated at HQ AMC.
10. OUSA MEMORANDUM, 27 May 1987.
11. Exception: The PM for Demilitarization of Chemicals and the PM for LHX were established as PMs reporting directly to the AAE.
12. HQAMC MEMORANDUM, SUBJECT: Program Executive Officer(PEO) Management Guidance, 8 September 1987.
13. HQDA DCSRDA MEMORANDUM FOR UNDER SECRETARY OF THE ARMY, SUBJECT: Army Acquisition Executive System--ACTION MEMORANDUM, 2 March 1987.
14. HQDA, ODCSRDA MEMORANDUM, Subject: PEO Conference--St Louis, 26-28 March 1987.
15. FONECON to Ms Coady, Office for Acquisition Management Policy, HQ AMC, Subject: Personnel Shortfalls, 21 Nov 87.

## CHAPTER IV

### ASSESSMENT

#### INTRODUCTION

In June 1987 the Packard Commission reconvened at the request of the President to examine government progress on implementing their recommendations. In a 10 July 1987 letter to the President the commission expressed general satisfaction with steps taken toward reorganization while expressing severe criticism on many other initiatives, particularly in the acquisition policy area. One criticism leveled was that the DAE's authority had been undercut within the Office of the Secretary of Defense and of course the DAE echoed this opinion when he resigned. The commission also criticized the role of auditors and problems with streamlining preparation and execution of contracts. These critiques are worth noting because they point out that reorganization alone does not solve all problems in the materiel acquisition business. Moreover, systemic problems can severely hamper even the best attempts at reorganization. (1)

In attempting an assessment of the PEO Management System, two questions must be kept in mind. First, is the basic concept sound? Second, is the implementation plan feasible and likely to obtain the desired result? The second question acknowledges the fact that a good idea can be embellished to the point where it is non-productive. Moreover, there is inevitably a 'shakedown period' after implementation of a new organization during which it must be finetuned.

For the first question there is no management theory that even begins to address the organizational dynamics of a 'corporation' the

size of the U.S. Army, much less one that must respond to the likes of Congress and the Office of the Secretary of Defense. So the approach taken here is to provide a quick overview of general management principles being adhered to or violated. From general considerations the assessment will move to specific concerns in real world implementation. A final appropriate look will be given to real world alternatives to the management system actually implemented.

### THEORETICAL ASSESSMENT

A typical problem inducing reorganization is that too much information reaches the desk of the top man in an organization resulting in too much processing time or simply requiring too many decisions for all to be made well. This bottleneck effect can occur at virtually any level in an organization having a pyramid structure that requires centralized decisionmaking someplace within the levels. In the case of a bottleneck at lower levels critical information may never reach the higher levels in time (or at all) resulting in a poor decision, a slow decision or no decision at all. Moreover, critical decisions may be delayed at the lower level so that a pacing element of the organization is slowing every other part of the organization down.

The Packard Commission homed in on the number of layers in the Department of Defense Materiel Acquisition System on the theory that the fewer the layers, the fewer the opportunities for bottlenecks. The Packard Commission also homed in on accountability for untimely or bad decisions so that in the revised system only 3 individuals at the 3 tiers of the system within the Army are accountable. Since all acquisition matters at the Department of the Army level were

consolidated under the AAE, that level should work more efficiently, at least in theory. However, the PEOs and PMs are another matter since these organizations are not autonomous in terms of resources but are highly dependent upon their partner Major Subordinate Commands (MSCs) of AMC.

Information flow as discussed above is clearly critical to decisionmaking whether the flow is horizontal or vertical. Integration of the PEO/PM and the MSC efforts become absolutely vital since clearing the decision chain does not guarantee responsive resources from the MSC. Since the MSC provides in most instances information critical to the decisionmaking process, it can still act as a de facto layer in the process. Under an arms length relationship wherein a PM tasks an MSC formally for support of a routine nature and formally receives that support, it is clear that the MSC is in fact acting as another layer. Moreover, since the Commander of an MSC will normally outrank a PM and will be at least equal to a PEO, it is obvious that responsiveness would be far worse than another layer under the PM's direct control. In point of fact PEOs and MSCs have been directed with generally worded guidance to develop support relationships that presumably preclude this problem. However, this ignores the nature of the organization created in the reorganization.

In the author's experience, near-autonomous PMs (i.e. business management, engineering, logistics, quality assurance, production and procurement under one manager) are easily the most effective. Industrial experience, however, would label it as highly inefficient for a parent organization having many PMs since so many functions must be duplicated across multiple PMs. AMC has been seeking efficiency by converting to matrix managed PMs over the past several years.

Unfortunately, that reorganization was still gaining full acceptance and proving itself in practice when the latest PEO concept driven reorganization arrived.

Early AAE guidance for the Army's PEO System specified no autonomous PMs and that PEOs would be small (25-35 people). (2) So in any event it is clear that the Army's PEO System implies a matrix managed organization wherein the PM is one boss for an individual with appropriate technical skills while the opposite number functional director within an MSC who furnishes the individual as support is the other boss. There is no common boss (the top of the pyramid over the two bosses of a matrix employee) for a matrix employee serving the two organizations until you reach the AAE. Given the small size of PEOs, they too are likely to receive matrix managed support from the MSC as in fact has occurred in some instances.

Davis and Lawrence in their classical book on matrix management theory, 'matrix,' define three necessary and sufficient conditions for selecting a matrix managed organization. (3) Condition 1 is "Outside pressure for dual focus." Condition 2 is "Pressures for high information-processing capability." Condition 3 is "Pressures for shared resources." The PEO System seems to satisfy, albeit weakly, these three conditions.

More significant, perhaps, is the view of Davis and Lawrence that "for the matrix to succeed the ethos or spirit of the organization must be consonant with the new form." (4) Given the military tradition of a pyramid shaped chain of command, one quickly concludes that the PEO system violates basic cultural values. While briefing his assessment of the Army reorganization to the Packard Commission in late June 1987, General (Ret) Donald Keith, former DCSRDA and former



Commander AMC, inveighed at length against violating chain of command principles and scathingly pointed out "dotted lines all over the organization chart."

As a practical matter MSCs have been pushed into matrix management prior to the PEO System so the departure from tradition is not total cultural shock. However, under prior experience the common boss was at the very highest the local MSC commander who was at least visibly at the same installation. Under the PEO System the common boss for a matrix employee is now the AAE who is infinitely more remote and inaccessible.

Having asserted that the PEO Management System implements, or at least requires, a matrix organization, it is only fair to note that this is not commonly recognized within the Army. The Tank Automotive Command (TACOM) has readily adapted to the PEO System since it had already formulated and implemented a matrix organization under the Capstone PM Concept. But TACOM is the exception rather than the rule and most MSCs appear to be continuing to grapple with exactly how to provide the required support to their associated PEO/PM.

From a general management overview the PEO concept appears feasible. The author's own bias towards a shortened chain of command favors accepting the system. However, the concept is counter to cultural values. Moreover, the concept implies a matrix organization without a visible campaign from the upper echelons of the Army to identify the concept as such with provision for commonsense implementation. Finally, the implementation guidance seems oblivious to the general rule that matrix organizations typically take 2-3 years to implement and normally pay an initial penalty in management overhead at inception. (5) The author therefore concludes that the

concept is theoretically feasible but faces many practical difficulties.

#### PRAGMATIC ASSESSMENT

On the plus side for the PEO System is the fact that the PEO now can focus intensive management attention on the interrelationships of systems belonging to PMs under his management. He can better assure timely fielding of related systems and even practice resource leveling, dollars or people, across PMs without encountering the previous logjam at AMC headquarters. The PM can also surface problems in two steps to the top management of the Army so as to obtain timely resolution. It is possible that Milestone Decisions can also move more swiftly to ASARC or the DAB. These are in fact the rationale behind the PEO System and may yet prove highly beneficial assuming relationships with AMC work well and coordination with other external agencies such as TRADOC do not become too complex.

The actual PEO System implementation as discussed in Chapter III has been fraught with confusion. Instead of being phased in for high cost, high priority systems it has been implemented across the board for approximately 128 systems. Instead of dual-hatting MSC Commanders as PEOs for lower cost, lower priority systems in order to conserve resources and reduce initial confusion, the decision was taken that all PEOs must be instantly established outside the AMC chain of command. The resulting resource shortfall is of course exacerbated by manpower cuts of the past few years and the new one currently underway to meet FY 69 budget mandates.

Moreover, because the implementation was so sweeping, procedures on exactly how to operate have been a major concern whereas

with a few systems these could have been handled on a 'by exception' basis. Finally, because of the across the board nature of the implementation, information flow among the various participants - PEOs, MSCs, HQAMC, TRADOC, the ARSTAFF, the OSA(RDA), and the AAE must be a point of concern.

The OASA(RDA) plan for supporting a common data base is unfortunately 2-3 years away so information must be processed manually in an environment of uncertain operating procedures. It should also be noted that information flow for the new system has yet to be fully tested. When functions of the OASA(RDA) and ODCSRDA were consolidated a reduction of 180 spaces internal to ODCSRDA occurred on paper. However, this cut due September 1988 by law, was not as instantaneous as was the start-up of the PEOs. Many experienced ODCSRDA staff officers simply shifted bosses initially, not desks. The system of PEO representatives is not fully in place but the remnants of the old ODCSRDA staff is operating under the new guidelines for servicing information requests which now must be formal. Clearly the system is now makeshift with even its positive features in terms of experienced staff disappearing soon.

It is probably worth commenting on the basic idea of reducing staff dedicated mostly to expediting the flow of information. During his tenure at the M1 Tank System PMO the author answered hundreds of phone calls and prepared hundreds of Information Papers, etc for the ODCSRDA staff. That staff invariably massaged the information into a new format and added their own viewpoint. The new system precludes redundant information processing at the cost of reduced on-site staff in Washington to defend programs. The overall merits of this arrangement can only be judged when the final system of PEO

representatives being collocated with OSA(RDA) has been fully implemented along with the common data base and computer links.

#### WERE THERE VIABLE ALTERNATIVES?

In listing the litany of woes above it is significant to note that most were not visited upon the Army by Congress or NSDD 219. Congressional guidance would have been satisfied by three initial model 'Defense Enterprise Programs.' The NSDD 219 guidance would have been satisfied by approximately 20 major acquisition programs or about 40 total programs if Designated Acquisition Programs were included.

As noted in Chapter II, the Army's implementation plan for a PEO Management System was significantly more complex than its sister services. While the total number of systems selected for PEO management was not required to meet the spirit, much less the letter, of directives and legislation, it can be argued that the Army had little choice but to establish major system PEOs outside the AMC chain of command. The Air Force and Navy already had a decentralized acquisition system whereas almost all Army programs fell under AMC's umbrella.

Accordingly, to use the existing Army system would have required appointing the Commander of AMC as a single mammoth PEO with all PMs working directly for him. This would have meant a de facto status quo implementation within AMC and could hardly be argued as supportive of new and improved management initiatives. Along this line of reasoning the only alternative would seem to be one where AMC would be chopped up into separate commands - perhaps several RDA commands and a single one for field support. That solution could easily have proved more traumatic than the one selected.

END NOTES

1. David Packard, LETTER to U.S. President, 10 July 1987.
2. Office of the UnderSecretary of the Army MEMORANDUM, SUBJECT: Implementation of the Program Executive Officer(PEO) Concept, 29 April 1987.
3. Stanley M. Davis and Paul R. Lawrence, 'matrix'. Addison Wesley Publishing Co. 1977, pp 13-17.
4. IBID. p. 19.
5. IBID.

## CHAPTER V

### CONCLUSIONS

In the author's view the Packard Commission recommendation leading to a three-tiered acquisition management system within the Army is sound for major systems. It is also likely that DAP systems, raising the total to about 40, could have been readily accommodated. Most of the management complexities delineated in Chapter IV could have been avoided while enjoying the benefits advocated by the commission.

Unfortunately, as actually implemented it raises a host of issues and concerns such as inadequate leadtime, inadequate personnel resources and insufficient guidelines and regulations. Moreover, including 128 systems creates its own bureaucratic labyrinth. It is fair to conclude that the objectives of the mandated reorganization and the PEO Management System in particular are not being met with the state of affairs described in this report. At present the system is more complex rather than simpler. A shortened chain of command so as to expedite programmatic decisions does not work if the flow of information, particularly involving MSC support, to support those decisions is not also faster.

It is too early to predict utter disaster; after all, the reorganization is in its infancy. Moreover, for the most part the same acquisition personnel who were working the old system are working the new system. For example, numerous PEOs have partially filled offices with personnel on temporary detail from their associated MSCs.

Also, MSCs continue to do the type of work they have been doing all along. However, the system in being is makeshift and needs revision.

The author learned in recent telephonic discussions with OASA(RDA) staff officers that modifications to the PEO Management System are being studied at this time. However, details are not available and options under review are being "closely held." However, it is clear that the Army 'shot itself in the foot' by going too fast, too far in its reorganization attempt and does need to fix it now.

## CHAPTER VI

### RECOMMENDATIONS

Given the nature of bureaucratic inertia, it is too late to turn back the clock and attempt to return to the two-phased implementation plan proposed by the DCSRDA in March 1987. The attempt would simply create more confusion and be counterproductive in the author's view. However, consideration should be given to implementing the second phase of that plan in which dual-hatted PEOs would have been established for non-major and non-DAP systems at the MSCs. The primary beneficiaries would be the low cost and low priority system PMs who are most heavily dependent upon MSC support across the board for all functions. The MSCs would also be unburdened from attempting to orchestrate support under confusing new conditions.

Model "support agreements" between PEOs and MSCs need to be developed and implemented. The situation at TACOM should be used as the base model. Two PEOs were established at TACOM and each have distinctly different but tailored support agreements. The Close Combat PEO consists mainly of a handful of major and DAP systems which require fewer day to day hands-on managers. The Combat Support PEO on the other hand has numerous system variants requiring more managers so it has a distinctly different "support agreement" and more TACOM personnel operating in a matrix role.

The TACOM models address the support problem systematically. For example, support is divided into the two categories of direct support and general support. Under direct support TACOM employees work in the same office with the PEOs/PMs whereas general support is centrally located in TACOM offices. Rating schemes are laid out to support



career development of all employees and allow ready transfer across programs. Even rules for training employees are defined. All these are considerations essential to matrix management that have been largely ignored in top-down guidance for implementation of the PEO Management System.

A final recommendation is along the lines of the old adage, "Don't change horses in the middle of the stream." The Army had developed a conceptual implementation plan and then failed to follow it. Plans of that magnitude should be changed only when something demonstrably better and equally feasible can be provided as an alternative. This is a 'lesson relearned.'

## BIBLIOGRAPHY

1. Augustine, Norman R. Augustine's Laws. American Institute of Aeronautics and Astronautics, New York, 1983, p. 121.
2. Blumenson, Martin "Packard Commission Makes Key Contributions REORGANIZATION:," ARMY Magazine, May 1987, p. 48.
3. Davis, Stanley M. and Lawrence, Paul R. 'matrix'. Addison Wesley Publishing Co. 1977, pp. 13-17, 19.
4. Department of Defense Directive Number 5134.1, Feb 1987, p. 4.
5. FONECON to Ms Coady, Office for Acquisition Management Policy, HQ AMC, Subject: Personnel Shortfalls, 21 Nov 87.
6. HQAMC Briefing Booklet: THE ARMY ACQUISITION SYSTEM, August 1987, p. 5.
7. Godwin, Richard P. "Progress on Streamlining the Acquisition System," DEFENSE ISSUES, Vol. 2, No. 15, p. 1.
8. HQAMC MEMORANDUM, SUBJECT: Program Executive Officer(PEO) Management Guidance, 8 Sep 1987.
9. HQDA DCSRDA MEMORANDUM FOR UNDER SECRETARY OF THE ARMY, SUBJECT: Army Acquisition Executive System--ACTION MEMORANDUM, 2 March 1987.
10. HQDA, ODCSRDA MEMORANDUM, Subject: PEO Conference--St Louis, 26-28 March 1987.
11. OASA(RDA) Briefing Booklet: LCSMM for Army Systems, Aug 87.
12. OASA(RDA) Briefing Booklet: PEO SEMINAR, 18-19 Nov 1987.
13. Office of the UnderSecretary of the Army(OUSA) MEMORANDUM, Subject: Implementation of the Program Executive Officer(PEO) Concept, 29 April 1987.
14. OUSA MEMORANDUM, Subject: Implementation of Program Executive Officer(PEO) Concept, 27 May 1987.
15. OUSA MEMORANDUM, Subject: Implementation of the Program Executive Officer(PEO) Rating Scheme, 13 July 1987.
16. Packard, David Letter to U.S. President, 10 July 1987.
17. President's Blue Ribbon Commission on Defense Management A Quest for Excellence, June 1986, p. 13.

# DISTRIBUTION

Department of the Army (2 copies)  
ATTN: SARD-RPP (MAJ Grimes)  
Pentagon  
Washington, DC 20310-0103

Program Executive Officer (2 copies)  
Close Combat  
ATTN: AMCPEO-CCV-E (Mr Chapin)  
Warren, MI 48397-5000

U.S. Army Materiel Command (2 copies)  
ATTN: AMCMP-P (Ms Coady)  
5001 Eisenhower Ave  
Alexandria, VA 22333-0001

U.S. Army Missile Command (2 copies)  
ATTN: AMSMI-RM-PD (Mr Foley)  
Redstone Arsenal, AL 35898-5000

U.S. Army Tank Automotive Command (2 copies)  
ATTN: AMSTA-BMF (Mr Hopgood)  
Warren, MI 48397-5000

U.S. Army Training and Doctrine Command (2 copies)  
ATTN: ATCD-E  
Ft Monroe, VA 23651-5000

U.S. Army War College (2 copies)  
ATTN: AWCAA (COL Palmer)  
Carlisle Barracks, PA 17013

U.S. Army War College (20 copies)  
Root Hall, Box 073 (Mr Carson)  
Carlisle Barracks, PA 17013